



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1789 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano
Governor

David Berns
Director

January 19, 2005

WIA GUIDANCE LETTER # 01-05

SUBJECT: State Incentive Policy for Local Workforce Investment Areas (LWIAs) under the Workforce Investment Act for PY 2003

REFERENCE: P.L. 105-220, §134(a)(2)(B)(iii) of the Workforce Investment Act (WIA); Subpart B, §665.200(e)(1)(2)(3) of WIA Final Rules dated August 11, 2000

BACKGROUND: Each program year, the Governor's Council on Workforce Policy (GCWP) votes to set aside a portion of the Governor's discretionary funds for incentives for the state's LWIAs. For WIA Program Year 2003, the GCWP set aside \$375,000 for this purpose. As you know, there are two methods through which incentive funds are awarded. Method I awards are based on the extent to which an LWIA exceeds its Title IB negotiated levels of performance for the fifteen core measures, and the extent to which the state exceeds the two customer satisfaction measures. Method II awards are based on evidence that an LWIA has significantly enhanced its provision of WIA services through (a) coordination efforts among WIA and non-WIA partner programs, or (b) collaborative efforts with other LWIBs. As in previous program years, the total PY 2003 incentive funds are being apportioned according to the following breakout based on local area consensus:

Method I Awards: 30% x \$375,000 = \$112,500

Method II Awards: 70% x \$375,000 = \$262,500

AWARDS PROCESS

METHOD I - PERFORMANCE ACHIEVEMENT

(\$112,500 Total Potential Award)

Under WIA, there are five performance categories: Adult, Dislocated Worker, Older Youth, Younger Youth, and Customer Satisfaction. Each category is assigned 1/5 or \$22,500 of the total potential award of \$112,500. For the adult, dislocated worker, older youth, and younger youth core performance categories, an LWIA must first **meet** every measure within a given performance category to qualify for any incentive award for that category. This means that an LWIA must achieve between 80% and 100% of its negotiated performance level for every measure in the category to qualify for an incentive award. Incentive funds will then be awarded to an LWIA based on the number of measures within the category that the LWIA **exceeds**. To exceed a performance level means the LWIA must have achieved over 100% of the negotiated

level. The maximum award for which an LWIA is eligible is based on the same formula used by the state in allocating the PY 2003 Title IB formula funds with one exception. Local areas that received less than 3% of the state's total formula allocation are eligible for a minimum of 3% of the total Method I funds. Therefore, the cap on award funds for each local area is adjusted slightly to accommodate the 3% threshold for local areas receiving less than 3% of the formula funds.

The following example illustrates how the dollar amount of an award may be determined for the Adult performance category:

EXAMPLE:

Within the Adult performance category, there are 4 performance measures: (1) Entered Employment, (2) Employment Retention, (3) Earnings Gain, and (4) Employment and Credential.

If an LWIA meets all four measures (i.e. actual outcomes are between 80% and 100% of the negotiated levels), and exceeds 1 measure out of the 4 Adult measures, the total incentive award is $\frac{1}{4}$ (or 25%) x \$22,500 x % of Adjusted Formula Cap for the LWIA.

For exceeding 2 of the 4 Adult measures, the LWIA's award would be $\frac{2}{4}$ (or 50%) x \$22,500 x % of Adjusted Formula Cap for the LWIA.

For exceeding 3 of the 4 Adult measures, the LWIA's award would be $\frac{3}{4}$ (or 75%) x \$22,500 x % of Adjusted Formula Cap for the LWIA.

For exceeding 4 of the 4 Adult measures, the LWIA's award would be $\frac{4}{4}$ (or 100%) x \$22,500 x % of Adjusted Formula Cap for the LWIA.

NOTE: For PY 2003, the state met, but *did not* exceed the negotiated levels for the two customer satisfaction performance measures. Since DOL has indicated that states would likely not receive additional technical assistance funds for implementing the new Common Measures, EMILE reporting, or WIA-Re-authorization, the \$22,500 in potential award funds for customer satisfaction, as well as other unawarded funds, will be held in reserve by the state and used to provide assistance to LWIAs for these upcoming requirements.

Attachment I of this letter is a chart showing the five performance categories and the measures within each category used to determine the Method I award earned by each LWIA. The chart's column labeled "Time Frame Used for Collection of Data" refers to the time periods used to determine annual performance outcomes for each measure in PY 2003.

Attachment II of this letter lists the funds awarded to each LWIA under the Method I criteria. The WIA Fiscal Unit will be forwarding budget pages to each of these LWIAs in the coming week so that local contracts can be amended to reflect the awarded amounts.

As you know, LWIA annual performance outcomes reported to Department of Labor (DOL) on October 1, 2004 were certified as submitted using the Mathematica reporting software the state is required to use for this purpose. In the weeks following submission of these outcomes, we were made aware that the annual report figures per LWIA that were produced in VOS (i.e. 9091 Report) showed additional exiters that were excluded from the annual report figures submitted to DOL. It is our understanding that certain exiter records were excluded by the program that creates the flat file needed to validate the Annual Report (9091) prior to its submission to DOL. Given the number of exiter records that appeared to have been excluded, state VOS staff completed a second run of the annual report, having worked with several local areas to “clean up” the records excluded from the first run. Local staff who assisted in this effort are to be commended. As a result, performance outcomes improved somewhat for seven LWIAs. The results of this second run were then used as the basis for awarding PY 2003 Method I incentive awards to each LWIA.

Although the outcomes from the second run were favorable for many LWIAs, the overriding issue of data integrity cannot be understated because the reverse situation (i.e. unfavorable outcomes) could also have occurred. Given the extraordinary time involved in correcting records excluded from the first run, we strongly urge LWIAs to step up ongoing Q.A. efforts to minimize the risk of future data errors. For their part, state VOS staff will utilize the data validation capabilities recently provided by DOL to conduct more frequent examination of exiter records, and ensure that LWIAs are notified of data errors in the exception reports produced through the validation process.

AWARDS PROCESS
METHOD II – PARTNERSHIP AND COLLABORATION
(\$262,500 Total Potential Award)

Attachment III of this letter is the Method II application for awarding of incentive funds to LWIAs for regional cooperation among Local Boards and for local coordination of One-Stop activities among partner agencies. Recent studies (i.e. Widing and Morrison Reports) concerning the status of One-Stop integration in Arizona, underscore the importance of collaboration in transcending both fiscal and administrative barriers for the benefit of One-Stop customers overall. With this in mind, Method II applications will be reviewed for evidence of re-orienting programs toward innovation, long-term planning, and the commitment of Local Boards and partner agencies toward full service integration. **To receive consideration, completed Method II applications must be submitted via e-mail to the DES Employment Administration/WIA Section by close of business Friday, March 18, 2005. Applications received after this date**

will not be considered for Method II awards. Please e-mail completed applications to:

wgadzia@azdes.gov

All applications will be reviewed by an interagency management team and applicants will be notified of award results no later than Monday, April 4, 2005.

ACTION REQUIRED: Please ensure that this letter and its attachments are provided to appropriate staff. Contact your Quality Assurance Liaison at (602) 542-3957 if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Lela Alson". The signature is fluid and cursive, with the first name "Lela" and last name "Alson" clearly distinguishable.

LelaAlson
WIA Section Manager
Employment Administration

Attachments (4)

ATTACHMENT I
WIA Guidance Letter # 01-05

PY 2003 METHOD I INCENTIVE AWARDS CHART		
PERFORMANCE CATEGORY	TIME FRAME USED FOR COLLECTION OF DATA: BASIS OF ANNUAL REPORT FOR PY 2003	TOTAL INCENTIVE FUNDS ASSIGNED TO EACH PERFORMANCE CATEGORY
ADULTS		
Entered Employment Employment Retention – 6 Months Earnings Change in 6 Months Employment + Credential	10/1/02 through 9/30/03 4/1/02 through 3/31/03 4/1/02 through 3/31/03 10/1/02 through 9/30/03	\$22,500
DISLOCATED WORKERS		
Entered Employment Employment Retention – 6 Months Earnings Replacement in 6 Months Employment + Credential	10/1/02 through 9/30/03 4/1/02 through 3/31/03 4/1/02 through 3/31/03 10/1/02 through 9/30/03	\$22,500
OLDER YOUTH		
Entered Employment Employment Retention – 6 Months Earnings Change in 6 Months Credential Rate	10/1/02 through 9/30/03 4/1/02 through 3/31/03 4/1/02 through 3/31/03 10/1/02 through 9/30/03	\$22,500
YOUNGER YOUTH		
Skill Attainment Rate Diploma/Equivalent Attainment Rate ³ Retention Rate	4/1/03 through 3/31/04 4/1/03 through 3/31/04 4/1/02 through 3/31/03	\$22,500
CUSTOMER SATISFACTION		
Employers Exiters	7/1/03 through 6/30/04 7/1/03 through 6/30/04	\$22,500*
30% TOTAL STATE ALLOCATION – METHOD I		\$112,500
(*Held in state reserve for LWIA assistance.)		
FORMULA FOR DETERMINING INCENTIVE AWARD FOR A PERFORMANCE CATEGORY:		
Step 1: All outcomes in a performance category must be <i>met</i> (between 80% and 100% of negotiated level) in order to receive awards consideration for the performance category.		
Step 2: <div><div>No. of Perform. Measures Exceeded in a Perform. Category</div><div>X</div><div>\$22,500</div><div>X</div><div>% Method I Adjusted Cap for an LWIA</div><div>No. of Measures in a Performance Category</div></div>		

PY 2003 METHOD 1 INCENTIVE AWARDS

01/19/05

ATTACHMENT II - WIA G.L. #01-05 Local Workforce Investment Area	F = Failed Measure		M = Met (Achieved Between 80% and 100% of negotiated level.)						E = Achieved above 100% of Negotiated Level						
	Apache	Cochise	Coconino	Gila/Pinal	Graham	Greenlee	Maricopa	Mo/Paz	Navajo	Phoenix	Pima	Santa Cruz	Yavapai	Yuma	Tribal
Adjusted Cap %	3.00%	3.32%	3.00%	4.52%	3.00%	3.00%	11.01%	3.00%	3.00%	17.17%	10.40%	3.00%	3.00%	16.57%	5.31%
PERFORMANCE MEASURE															
Adult Entered Employment	\$1,406.25	M	M	\$1,406.25	\$1,406.25	F	M	M	M	E	M	\$1,406.25	\$1,406.25	M	M
Adult Retention	\$1,406.25	\$1,406.25	E	M	\$1,406.25	E	\$1,406.25	M	M	E	M	\$1,406.25	M	\$1,406.25	M
Adult Earnings Gain	M	\$1,406.25	M	\$1,406.25	\$1,406.25	F	\$1,406.25	\$1,406.25	M	E	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25
Adult Emp. & Credential	\$1,406.25	\$1,406.25	F	\$1,406.25	\$1,406.25	F	M	\$1,406.25	\$1,406.25	F	M	\$1,406.25	\$1,406.25	\$1,406.25	M
Total Dollars Earned for Category	\$4,218.75	\$4,218.75		\$4,218.75	\$5,625.00		\$2,812.50	\$2,812.50	\$1,406.25		\$1,406.25	\$5,625.00	\$4,218.75	\$4,218.75	\$1,406.25
Total Adult Measures Exceeded	3	3	1	3	4	1	2	2	1	3	1	4	3	3	1
Older Youth Entered Employment	F	M	\$1,406.25	\$1,406.25	\$1,406.25	E	\$1,406.25	M	E	\$1,406.25	M	E	E	M	F
Older Youth Retention	E	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	F	M	M	E	M	M	M	E	\$1,406.25	F
Older Youth Earnings Gain	M	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	E	\$1,406.25	F	F	\$1,406.25	\$1,406.25	E	F	\$1,406.25	E
Older Youth Credential	F	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	F	\$1,406.25	E	E	\$1,406.25	M	F	E	\$1,406.25	F
Total Dollars Earned for Category		\$4,218.75	\$5,625.00	\$5,625.00	\$5,625.00		\$4,218.75			\$4,218.75	\$1,406.25			\$4,218.75	
Total Older Youth Measures Exceeded	1	3	4	4	4	2	3	1	3	3	1	2	3	3	1
Younger Youth Goal Attainment	\$2,500.00	\$2,500.00	M	\$2,500.00	\$2,500.00	E	\$2,500.00	\$2,500.00	\$2,500.00	F	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	E
Younger Youth Diploma/Equiv. Attain.	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	F	M	\$2,500.00	\$2,500.00	E	M	\$2,500.00	M	M	E
Younger Youth Retention	\$2,500.00	\$2,500.00	M	M	\$2,500.00	E	M	\$2,500.00	\$2,500.00	E	\$2,500.00	M	M	\$2,500.00	F
Total Dollars Earned for Category	\$7,500.00	\$7,500.00	\$2,500.00	\$5,000.00	\$7,500.00		\$2,500.00	\$7,500.00	\$7,500.00		\$5,000.00	\$5,000.00	\$2,500.00	\$5,000.00	
Total Younger Youth Measures Exceeded	3	3	1	2	3	2	1	3	3	2	2	2	1	2	2
Dislocated Wkr Entered Employment	M	\$1,406.25	M	M	M	M	M	M	M	M	M	\$1,406.25	\$1,406.25	M	\$1,406.25
Dislocated Wkr Retention	\$1,406.25	M	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	M	\$1,406.25	\$1,406.25	M	\$1,406.25	\$1,406.25
Dislocated Wkr Earnings Replacement	\$1,406.25	M	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25
Dislocated Wkr Employment & Credential	M	\$1,406.25	M	\$1,406.25	M	M	\$1,406.25	M	M	M	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25	\$1,406.25
Total Dollars Earned for Category	\$2,812.50	\$2,812.50	\$2,812.50	\$4,218.75	\$2,812.50	\$2,812.50	\$4,218.75	\$2,812.50	\$2,812.50	\$1,406.25	\$4,218.75	\$5,625.00	\$4,218.75	\$4,218.75	\$5,625.00
Total Dislocated Worker Measures Exceeded	2	2	2	3	2	2	3	2	2	1	3	4	3	3	4
Total of 17 Performance Measures Exceeded	9	11	8	12	13	7	9	8	9	9	7	12	10	11	8
TOTAL METHOD I INCENTIVE AWARD	\$14,531	\$18,750	\$10,938	\$19,063	\$21,563	\$2,813	\$13,750	\$13,125	\$11,719	\$5,625	\$12,031	\$16,250	\$10,938	\$17,656	\$7,031
Note: Each cell above containing a dollar amount indicates that the LWIA exceeded the measure applicable to the cell and the LWIA is eligible to receive incentive awards for that performance category.															
Final award amounts are rounded to the nearest dollar.															

ARIZONA INCENTIVE APPLICATION
Method II – Successful Practices

PURPOSE: The Method II – Successful Practices Incentive Award is specifically intended to encourage, creative and untried collaborations and coordination efforts among LWIBs and One-Stop system partners throughout the state that will result in a re-orientation of programs toward innovative, *long-term* plans to broaden the One-Stop customer base and enhance service delivery.

EXPECTED OUTCOMES OF METHOD II COLLABORATION EFFORTS:

- ◆ Organizational models which improve the efficiency and effectiveness of delivering workforce development services in response to regional and local economies and emerging trends.
- ◆ Identification of new and redirected resources to enhance the effectiveness of regional or local systems.
- ◆ Effective service delivery through integration of existing partnerships in economic development, employment and training services, welfare reform, and school reform into collaborative partnerships and processes consistent with the goals of Arizona's One Stop Career Center system.
- ◆ Building a single system out of a number of employment and training programs that currently have a parallel existence and which could be channeled to effectively address shared objectives, regionally or locally.

PART I – INSTRUCTIONS: This application applies to PY 2003 (7/1/03 – 6/30/04). The Incentive Policy and this application will be reviewed annually and are subject to revision based on previous years' experiences.

PLEASE READ

- All Local Workforce Investment Boards in the state are eligible to apply for Method II funds.
- LWIBs may collaborate and submit a joint application; however, each LWIB must submit separately, even though the applications will be duplicated.
- The application must include an Executive Summary.
- Application must be typed using a font size of at least 12 points.
- Application must be doubled-spaced.
- Application must have one-inch margins.
- Application should be *no more* than 15 pages (Attachments will count toward the 15-pages). Although we anticipate most applications will be 10-15 pages in length (including attachments), points will not be deducted for less than 15 pages.
- All responses to questions in the application must be labeled according to the format provided herein.
- Application must be submitted to the Arizona Department of Economic Security, Employment Administration, Workforce Investment Act (WIA) Section **by close of business (5:00 p.m.) Friday, March 18, 2005. Applications submitted after the deadline will not be accepted.**
- Please e-mail completed applications to: wgadzia@azdes.gov.

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PART II – SCORING:

- A. Scoring Process: Each Method II – Successful Practices Awards Application will be screened by state staff to ensure that it meets eligibility requirements **and that the application falls within the format specifications (See Page 1, Part I “Instructions”).** Staff will then score each application.
- B. Scoring Method: The following two-tiered evaluation method will be used to score the Successful Practices Application.

Tier I: **An application must receive at least 71 points to be considered for an incentive award.**

Tier II: Once an application has met the criteria in Tier I, incentive funds will be awarded based on the amount of points received from Category 4 – Focus on Results. The percentage of allocation will be calculated based on the amount of points received in Category 4 divided by the total points in Category 4. For example, a score of 25 points is received in Category 4 divided by the total points available (30 points) equals 83.3% of the award.

PART III – APPLICATION FOR INCENTIVE GRANT:

- **Answer *all* questions in each of the four categories.**
- The proposal will be reviewed based on the following **four categories:**

Category 1 – Purpose and Activities (25 points)

Effective initiatives have a clear and well-understood purpose, a coherent component set, and well organized activities to attain results. Describe the initiative by answering the following questions:

- A. Mission (15 pts) - The initiative should present a clear and consistent mission.
1. Describe the process used to identify the initiative. What made this initiative important to your region/local area?
 2. Who was involved in developing the initiative/process? How has your initiative/process evolved based on partner/regional input?
 3. What were/is the specific purpose or outcome desired from the initiative?
 4. Explain how focusing on providing better customer service influenced the development of the initiative?
- B. Activities (10 pts.) – The initiative’s mission should be in alignment with the mission of the local boards and other key stakeholders in the community.
1. Describe the activities the local boards, One-Stop partners, and other stakeholders engaged in as part of the initiative. How do these activities support the mission of the initiative?

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Category 2 – Organizational and Management (25 points)

Effective initiatives are well managed, promote collaboration, and follow continuous improvement principles. Provide a description of the initiative by answering the following questions:

- A. Leadership (5 pts.) – The initiative should encourage continuous and competent leadership at the board and staff level.
 - 1. Attach a list of the regional collaborators, One-Stop staff, Local Board(s) and other partners involved in the initiative (Include name, title, and affiliation.).
 - 2. What does your initiative do to ensure that your board demonstrates leadership and appropriate oversight of the process?
 - 3. Describe the process for involving appropriate staff in the initiative. How did these activities contribute to the achievement of the initiative goals?
- B. Collaboration (5 pts.) – The initiative should encourage community synergy through collaboration.
 - 1. Describe the types of collaborative linkages developed to support the regional or local coordination initiative.
 - 2. How will the specific purposes of the collaboration serve to advance the workforce development system?
- C. Continuous Improvement (10 pts.) – The initiative demonstrates a knowledge of and use of continuous improvement processes.
 - 1. Describe the management practices you employed in this initiative that demonstrate continuous improvement.
 - 2. How was the data that you collected used to assess the initiative for continuous improvement purposes? How will this information be used to sustain or adapt the initiative to support regional collaborative or local coordination efforts?

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- D. Resources (5 pts.) – An initiative following continuous improvement principles will facilitate the attraction of additional resources.
1. What types of financial (cash) and non-financial (in-kind) support did you obtain for the initiative and from what sources?
 2. How did you pool these resources to meet the objectives of the initiative?

Category 3 – Workforce Development/System Change (20 points)

- A. Partner Awareness, Strategic Planning and System Readiness (5 pts.)
1. How did the initiative nurture an increased awareness of regional/local workforce development issues?
 2. Describe how strategic planning principles were used in the formation of the initiative's goals?
- B. Private Sector Engagement (15 pts.)
1. How did the local board recruit private sector representatives for the effort?
 2. Describe how the private sector was involved and participated in the initiative.
 3. How will the private sector continue to be involved in the initiative?

Category 4 – Focus on Results (30 points)

- A. Outcome Data (10 pts.) – Establish obtainable goals and measurable (quantitative) objectives that reflect the result of the initiative.
1. How does the initiative define success?
 2. How does the initiative measure results?
- B. Accomplishments (10 pts.)
1. What objective and quantifiable results has your initiative produced?
 3. Are there outcomes you believe you produce, but are not able to measure? Please describe.

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- C. Future Impacts (10 pts.) – The initiative should build upon each of its successes, incorporate best practices, and eliminate processes that are inefficient and/or ineffective.
1. What types of benefits might this initiative have on Title IB or partner performance measures in the future?
 2. What changes did you make in the local workforce area (policies, procedures, relationships, activities, etc.) as a result of participation in this initiative?
 3. What are some of the positive impacts on local or regional workforce programs that may result from this initiative?

Part IV. APPEALS PROCESS FOR METHOD II - INCENTIVE GRANT AWARDS

It is the policy of the DES Employment Administration/WIA Section to assure equal, impartial selection of awardees for Method II incentive funds, based on the scoring methodology established in this application. The following procedure must be followed should a Local Workforce Investment Area (LWIA) wish to appeal a WDA award decision:

- (1) Within fifteen (15) working days of receipt of an award decision, the LWIA must submit, in writing, an appeal which includes:
 - The category number, category title, and section within the category that is being appealed.
 - Reason(s) for the appeal, signed by the LWIB Chairperson and the WIA Program Director.
- (2) The LWIA shall submit two (2) ORIGINALS of the completed and signed appeal to the Arizona Department of Economic Security, 1789 W. Jefferson, Site Code 920Z, Phoenix, AZ 85004, Attn: Mr. William Gadzia, Employment Administration – WIA Section.
- (3) Within 30 days of receipt of the appeal, the state Interagency Team will review the appeal, the original Method II application submitted by the LWIA, and the score sheets used to evaluate the application, and forward a response to the LWIA. *If applicable*, the response will detail any changes in the score and/or the amount of incentive funds awarded to the LWIA. The decision of the Interagency Team is final.